

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

Producers 88 (4-89) — Paid Up  
With 640 Acres Pooling Provision  
3 year + 2 year option lease for one lot

**PAID UP OIL AND GAS LEASE  
(No Surface Use)**

THIS LEASE AGREEMENT is made this 13<sup>th</sup> day of August, 2008, by and between

Fundamentals Company, a New York general partnership

as Lessor (whether one or more), whose address is c/o Kin Properties, Inc., 185 NW Spanish River Blvd.  
Suite 100, Boca Raton, Florida 33431

and DALE PROPERTY SERVICES L.L.C. 2100 Ross Ave Suite 1870 Dallas, Texas, 75201, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

Lot(s) 1A, Block 37 of the Rosen Heights Second Filing, an addition to the City of Fort Worth, Texas, more particularly described by metes and bounds in that certain plat recorded in Volume 388-29, Page 171 of the plat Records. Tarrant County, Texas, (2551 Ephriham Ave)

in the county of Tarrant, State of TEXAS, containing 2.078 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of Three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be Twenty-Five (25%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be Twenty-Five (25%) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities or such wells are waiting on hydraulic fracture stimulation, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. Except as provided for in Paragraph 3. above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the

notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this lease.

15. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

16. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.

17. Lessor, and their successors and assigns, hereby grants Lessee an option to extend the primary term of this lease for an additional period of Two (2) from the end of the primary term by paying or tendering to Lessor prior to the end of the primary term the same bonus consideration, terms and conditions as granted for this lease.

\*  
**DISCLAIMER OF REPRESENTATIONS:** Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR: Fundamentals Company, a New York General Partnership

By Sanstate Company, Inc. Managing Partner

By Andrew M. Schreier  
Name: Andrew Schreier  
Title: Vice President

#### ACKNOWLEDGMENT

STATE OF FLORIDA §

COUNTY OF PALM BEACH §

This instrument was acknowledged before me on the 13<sup>th</sup> day of August 2008, by Andrew Schreier, Vice President of Sanstate Company, Managing Partner of Fundamentals Company, a New York general partnership.

Maureen Sbarra  
NOTARY PUBLIC

My Commission Expires:

#7103 - Ft. Worth, TX  
2551 Ephriham Drive

\* 18. The Addendum "A" executed simultaneously with the Paid Up Oil and Gas Lease is considered to be a part of, and is hereby incorporated herein by this reference as if set forth in detail, in length, and in continuation of that certain Paid Up Oil and Gas Lease, hereof.



**THIS AGREEMENT CONTAINS PROVISIONS RELATING TO INDEMNITY,  
RELEASE OF LIABILITY AND ALLOCATIONS OF RISK**

**ADDENDUM "A"**  
attached to, made a part of, and a continuation of  
that certain  
**Paid Up Oil and Gas Lease**

This Addendum is attached to and made a part of the Oil, Gas and Mineral Lease dated August 13 2008 by and between Fundamentals Company, a Partnership ("Lessor") located at 185 NW Spanish River Blvd., Suite 100, Boca Raton, Florida, 33431 and Dale Property Services, L.L.C. ("Dale") and Chesapeake Exploration LLC ("Chesapeake") as joint venturers (collectively "Lessee") located at 2100 Ross Avenue, Suite 1870, Dallas, Texas 75201 ("Addendum"). The following provisions are part of this Paid Up Oil and Gas Lease and if there is a conflict between the provisions of this Addendum and any provisions in the printed portion of the lease, then the provisions in this Addendum shall control. Provided, however, this Addendum and the printed portion of the lease should be harmonized where such can be reasonably accomplished, to prevent the finding of a conflict.

**18. AUTHORIZED AGENT AND JOINT VENTURE:** Dale represents that Dale and Chesapeake have formed a joint venture and that Dale is the authorized agent of Chesapeake and in that capacity Dale has the full power and authority to bind Chesapeake and itself to the terms and conditions set forth in this lease and to perform the obligations set forth herein and by the execution of this lease so binds Chesapeake.

**19. SECTION 1:** Delete the following: "(including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise)" and "(including geophysical/seismic operations)".

**20. SECTION 3:** Section 3 shall be deleted in its entirety and the following language shall be inserted:

"3(a) As royalties, Lessee agrees:

(1) To pay to Lessor, on oil and other liquid hydrocarbons produced and saved from the leased premises, twenty five percent (25%) (the "Royalty Fraction") of the gross proceeds at the point of sale of such oil, or at Lessor's option, which may be exercised from time to time, the Royalty Fraction of all oil and other liquid hydrocarbons produced and saved from the leased premises, which shall be delivered free of expense to Lessor at the wellhead or to the credit of Lessor at the pipeline to which the wells may be connected.

(2) To pay to Lessor:

(i) On gas produced from the leased premises and sold by Lessee or used off the leased premises and to which the following subparagraphs (ii) and (iii) do not apply, the Royalty Fraction of the gross proceeds at the point of sale, use or other disposition, less the deductions authorized in subparagraph 3(c) below.

(ii) On gas produced from the leased premises that is processed in a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the higher of the Royalty Fraction of the gross proceeds of the gas at the inlet to the processing plant, or the Royalty Fraction of the gross proceeds of all processed liquids saved from the gas at the plant plus the Royalty Fraction of the gross proceeds of all residue gas at the point of sale, use, or other disposition, less the deductions authorized in subparagraph 3(c) below.

(iii) On gas produced from the leased premises that is processed in facilities other than a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the Royalty Fraction of the gross proceeds at the plant of all processed liquids credited to the account of Lessee and attributable to the gas plus the Royalty Fraction of the gross proceeds of all residue gas at the point of sale, use, or other disposition, less the deductions authorized in subparagraph 3(c) below.

(b) The gross proceeds used in the calculation of oil and gas royalty will never be less than the proceeds received by Lessee in connection with the sale, use, or other disposition of the oil or gas produced or sold. For purposes of this paragraph, if Lessee receives from a purchaser of oil or gas any reimbursement for all or any part of severance or production taxes, or if Lessee realizes proceeds of production after deduction for any expense of production, gathering, dehydration, separation, compression, transportation, treatment, processing, storage, marketing, or remediation, then the reimbursement or the deductions will be added to the proceeds received by Lessee except as set forth in subparagraph 3(c) below. Royalty will be payable on oil and gas produced from the leased premises and consumed by Lessee on the leased premises for compression, dehydration, fuel, or other use.

(c) except as permitted herein, it is agreed between the Lessor and Lessee, that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form. Further, in no event shall Lessor receive a price that is less than the price received by Lessee from an arms-length contract with a purchaser that is not an affiliate of Lessee. It is the specific intent of the parties to this lease that this provision is to be treated as enforceable as written and is not to be deemed "surplusage" under the principals set forth in *Heritage Resources v. Nations Bank*, 939 S.W.2d 118 (Tex. 1997). Notwithstanding the foregoing, Lessor's royalty will bear its share of all severance and productions taxes.

(d) If gas produced from the leased premises or lands pooled herewith is sold by Lessee pursuant to an arms-length contract with a purchaser that is not an affiliate of Lessee, and for a term no longer than that which is usual and customary in the industry at the time the contract is made, then the gross proceeds of the gas sold pursuant to the contract shall be the total proceeds received by Lessee in the sale, subject to the provisions of paragraph 3(b) above.

(e) Lessor shall be paid the Royalty Fraction of all payments and other benefits made under any oil or gas sales contract or other arrangement, including take-or-pay payments and payments received in settlement of disputes; provided that if Lessor receives a take-or-pay payment or similar payment for gas that has not been produced, and if the gas is subsequently produced, Lessor will receive only its Royalty Fraction of the gross proceeds of the volume of gas for which payment has not already been made.

(f) Unless there is a title dispute, Lessee must disburse or cause to be disbursed to Lessor its royalty on production from a particular well not later than ninety (90) days after the end of the month of first sales of production. Thereafter, Lessee must disburse or cause to be disbursed to Lessor its royalty on production by the last day of the second month after the month in which production is sold. If not paid when due, Lessor's royalty will bear interest at eighteen percent (18%) annual from due date until paid, which amount Lessee agrees to pay. Acceptance by Lessor of royalties that are past due will not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor. The royalty payment obligations under this lease shall not be affected by any division order or the provisions of the Section 91.402 of the Texas Natural Resources Code or any similar statute. Notwithstanding anything to the contrary contained in this lease, should a royalty payment not be made for a period of one year from the anniversary date of the due date as provided for in this lease, unless there is then in effect another applicable preservation provision of this lease, Lessor may, at Lessor's option, elect to terminate the applicable portion of this lease by sending written notice to Lessee by certified mail. Lessee shall then have sixty (60) days from the date of service of such written notice in which to avoid termination of the applicable portion this lease by making or causing to be made the proper royalty payment. If such royalty payment is not made on or before the expiration of said sixty (60) day period, or written approval is not obtained from Lessor to defer such payment, Lessor may elect to terminate the applicable portion of this lease by filing a Notice of Termination with the County Clerk in the county where the leased premises are located. The effective date of said termination shall be the date said Notice of Termination is filed with the said County Clerk.

(g) As used in this lease, "affiliate" means (i) a corporation, joint venture, partnership, or other entity that owns more than ten percent (10%) of the outstanding voting interest of Lessee or in which Lessee owns more than ten percent (10%) of the outstanding voting interest; or (ii) a corporation, joint venture, partnership, or other entity in which, together with Lessee, more than ten percent (10%) of the outstanding voting interests of both Lessee and the other corporation, joint venture, partnership, or other entity is owned or controlled by the same persons or group of persons.

(h) The receipt by Lessee from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee acquiring legal or equitable title to those proceeds, but Lessee will at all times hold Lessor's share of those proceeds for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the leased premises or pipeline company transporting production from the leased premises, Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.

(i) If gas is produced from the leased premises, and if (either because this lease covers less than all of the gas or other substances in and under the leased premises or because of assignments by Lessee of undivided interests in this lease) more than one party owns the working interest share of the gas produced, and if any or all of such co-owners elect to take and market their share of such gas separately, resulting in "split-stream" deliveries of such gas to different purchasers, then the following shall apply:

(1) Lessor shall be entitled to Lessor's royalty share (proportionately reduced, as herein provided, if Lessor owns less than all the applicable gas and/or other substances under the leased premises) of the proceeds of the sale of the entire production of the gas produced from the leased premises, regardless of how such gas is allocated among the working interest owners or to whom such gas is sold, and regardless of any agreements to the contrary among the working interest owners or other parties; and

(2) Lessee, its successors and assigns, shall be liable for Lessor's entire royalty on such gas production, regardless of whether Lessee actually is allocated or receives any proceeds of sale of any such production. Lessee shall account to Lessor for all of Lessor's royalty share of such gas production, so that Lessor shall not be required to receive royalties from more than one purchaser or working interest owner, and Lessee shall provide production statements from all purchasers of such gas showing the volumes sold and the price paid therefore, and any applicable adjustments."

**21. SECTION 4:** Section 4 shall be deleted in its entirety and the following language shall be inserted:

" All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit to Lessor's address set forth in Section 41 of this Addendum or its successors, which shall be deemed to be Lessor's depository agent for receiving payments if a change of ownership occurs. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository agent, if a change of ownership occurs, by deposit in the US Mails in a stamped envelope addressed to the depository agent, if a change of ownership occurs or to the Lessor at the last address Lessor has notified Lessee of, shall constitute proper payment."

**22. SECTION 5:** All references to ninety (90) days shall be changed to sixty (60) days.

**23. SECTION 8:** Lessee's interest may not be assigned without Lessor's written consent which may be withheld unless the interest is assigned to Chesapeake, or the entity to which the interest is being assigned to has a net worth greater than Chesapeake as of the date of such assignment. If Lessee transfers its interest hereunder in whole or in part, no assignment by Lessee shall relieve Lessee of any liability before or after the assignment and any assignee's or sublessee's are jointly and severally liable with Lessee for all lease obligations.

**24. SECTION 9:** In the event this lease terminates for any reason as to all or any part of the leased premises, Lessee shall, within sixty (60) days thereafter, deliver to Lessor a recordable release covering all of the leased premises or that portion of the leased premises as to which this lease terminated.

**25. SECTION 10:** Section 10 shall be deleted in its entirety and the following language shall be inserted:

**"NOTWITHSTANDING ANY LANGUAGE CONTAINED HEREIN TO THE CONTRARY, LESSEE HEREBY WAIVES AND RELEASES ALL SURFACE RIGHTS OF EVERY KIND AND NATURE ACQUIRED UNDER THIS LEASE, IF ANY. ACCORDINGLY, LESSEE SHALL NOT (I) CONDUCT ANY SURFACE OPERATIONS WHATSOEVER UPON THE LEASED**

PREMISES INCLUDING BUT NOT LIMITED TO SURVEYING, (II) PLACE ANY PERSONAL PROPERTY, FIXTURES OR EQUIPMENT UPON THE LEASED PREMISES, OR (III) ENTER UPON THE SURFACE OF THE LEASED PREMISES FOR ANY REASON OR FOR ANY AMOUNT OF TIME; HOWEVER, THIS LIMITATION SHALL NOT AFFECT THE RIGHT OF LESSEE OR ITS SUCCESSORS AND ASSIGNS TO UTILIZE THE SUBSURFACE OF THE LEASED PREMISES OR ENGAGE IN DIRECTIONAL OR HORIZONTAL DRILLING ACTIVITIES OR OPERATIONS WHICH COME UNDER THE LEASED PREMISES AND/OR FROM POOLING IN ACCORDANCE WITH THIS LEASE, BUT IN NO EVENT MAY THE MINING OR DRILLING ACTIVITIES OR OPERATIONS PENETRATE THE LEASED PREMISES AT A DEPTH OF LESS THAN ONE THOUSAND (1,000) FEET BELOW THE SURFACE. FURTHER, LESSEE WILL MEET ALL CITY ORDINANCES IN THE DRILLING OF WELLS FROM SURFACE LOCATIONS THAT OFFSET THE LEASED PREMISES, BUT IN NO EVENT SHALL LESSEE DRILL A WELL AT A SURFACE LOCATION THAT IS WITHIN ONE THOUSAND (1000) FEET OF THE LEASED PREMISES. THIS PROVISION SHALL SURVIVE TERMINATION OF THE LEASE.

As a result of land development in the vicinity of the leased premises, governmental rules or ordinances regarding well sites, and/or surface restrictions as may be set forth in this lease and/or other leases in the vicinity, surface locations for well sites in the vicinity may be limited and Lessee may encounter difficulty securing surface location(s) for drilling, reworking or other operations. Therefore, since drilling, reworking or other operations are either restricted or not allowed on the leased premises or other leases in the vicinity, it is agreed that any such operations conducted at a surface location off of the leased premises or off of lands with which the leased premises is pooled in accordance with this lease, provided that such operations are associated with a directional well for the purpose of drilling, reworking, producing or other operations under the leased premises or lands pooled therewith, shall for purposes of this lease be deemed operations conducted on the leased premises. Nothing contained in this paragraph is intended to modify any surface restrictions or pooling provisions or restrictions contained in this lease, except as expressly stated. "

**26. SECTION 11:** Section 11 shall be deleted in its entirety and the following language shall be inserted:

"Should Lessee be wholly prevented by reason of Force Majeure from complying with any express or implied covenant of this lease (other than a requirement to pay money), from conducting operations on the leased premises or lands pooled with the leased premises, or from producing oil or gas, then while so prevented, that covenant will be suspended. Lessee will not be liable for damages for failure to comply therewith. This lease will be extended so long as Lessee is prevented from conducting operations on or from producing oil or gas from lands pooled with the leased premises, but in no event for more than six (6) consecutive months per occurrence and the total time which this lease may be extended by this paragraph may not exceed one (1) cumulative year. The time while Lessee is so prevented will not be counted against Lessee. "Force Majeure" means any Act of God, riot, war, strike, insurrection, any federal or state law, or any rule or regulation of governmental authority, or other similar cause (other than financial reasons), or other causes beyond the control of Lessee, BUT NOT for Lessee's failure to obtain a necessary permit for its operations from a local, state or federal governing body or lack of a suitable market. Lessee shall take all reasonable actions to remove or end any cause of Force Majeure as soon as reasonably possible. Before the provisions of this paragraph may be relied upon by Lessee, Lessee must first furnish written notice to Lessor, within ten (10) days after the first day of the provisions hereof are relied upon, of such event, giving the beginning date thereof; and, within ten (10) days after such event ceases, notify Lessor of the resumption of activities."

**27. SECTION 12:** Section 12 shall be deleted in its entirety.

**28. SECTION 13:** Section 13 shall be deleted in its entirety and the following language shall be inserted:

"No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least thirty (30) days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall immediately terminate."

**29. SECTION 14:** Section 14 shall be deleted in its entirety.

**30. SECTION 15:** Section 15 shall be deleted in its entirety and the following language shall be inserted:

"Lessor makes no warranty of any kind with respect to title to the surface or the mineral estate in the leased premises or any portion or interest therein. All warranties that might arise at common law or by statute, including but not limited to Section 5.023 of the Texas Property Code (or its successor), are likewise not provided by Lessor and are hereby excluded. By acceptance of this lease, Lessee acknowledges that it has been provided a full and complete opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the leased premises. Lessee assumes all risk of title failures and Lessor shall have no obligation to refund any bonus payments it has received in the event a title failure occurs. Further, in the event Lessor does not own all of the minerals subject to this lease, Lessee agrees it will not conduct operations or permit operations to be conducted on the leased premises, which are not in compliance with the terms and requirements of this lease, by claiming other authority under a lease, deed, conveyance or by other authority covering the outstanding oil, gas and other mineral interests. This provision shall survive the termination of this lease."

**31. DISCLAIMER OF REPRESENTATIONS:** The Disclaimer of Representations shall be deleted in its entirety.

**32. COMMENCEMENT:** Commencement of a well according to the terms of this lease will require that a drilling rig capable of drilling to total depth be on location and drilling on or before expiration of the primary term, and that the drilling of said well be continued with due diligence until completion. Construction of a well location without actual drilling as detailed above will not be deemed commencement of a well.

**33. DEPTH CLAUSE:** In the event this lease is extended by production in paying quantities beyond its primary term, then on such date this lease shall terminate as to all rights one hundred (100) feet and more below the deepest producing formations in the well or wells located on the leased premises, or land unitized therewith. If Lessee is in the process of drilling or completing a well at the end of the primary term of this lease, this clause shall become effective upon conclusion of such operations.

**34. PUGH CLAUSE:** Notwithstanding anything to the contrary herein contained,, operations on or production from a pooled unit or units as provided in Provision 4 hereof will maintain this lease in force only as to the land included in said unit or units. This lease, as to lands not included in said unit or units, may be maintained in force and effect by any other method provided for herein.

**35. SHUT-IN ROYALTY:** Notwithstanding anything to the contrary herein, it is understood and agreed that this lease may not be maintained in force by payment of shut-in royalty on a well not capable of producing in paying quantities or for any one continuous period of time longer than one (1) year after the expiration of the primary term hereof solely by the provisions of the shut-in royalty clause.

**36. INDEMNIFICATION:** LESSEE AGREES TO INDEMNIFY, DEFEND AND HOLD HARMLESS LESSOR, AND LESSOR'S PARTNERS, TRUSTEES AND BENEFICIARIES, DIRECTORS, OFFICERS, AGENTS, REPRESENTATIVES,



EMPLOYEES, TENANTS, GUESTS, INVITEES, CONTRACTORS, PARENT, SUBSIDIARIES AND AFFILIATES, THEREOF, AND OF ANY OF THEM DIRECT AND REMOTE AND THEIR RESPECTIVE SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMAGE TO PROPERTY, WHETHER THE CLAIMS ARE BROUGHT OR PURSUED AS CLAIMS OF NEGLIGENCE, BREACH OF CONTRACT, NUISANCE, TORT, STRICT LIABILITY, OR OTHERWISE, AND INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, ARISING OUT OF, RESULTING FROM OR IN ANY WAY INCIDENTAL TO, DIRECTLY OR INDIRECTLY, OPERATIONS AND TRANSACTIONS SUBJECT TO THIS LEASE OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, LESSEE'S TRUSTEES AND BENEFICIARIES THEREOF, DIRECTORS, OFFICERS, AGENTS, EMPLOYEES, TENANTS, GUESTS, INVITEES, SERVANTS, CONTRACTORS, REPRESENTATIVES, PARENT, SUBSIDIARIES AND AFFILIATES, THEREOF AND OF ANY OF THEM, DIRECT AND REMOTE AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS. AS USED IN THIS PARAGRAPH, THE TERM "LAND" INCLUDES THE LAND COVERED BY THIS LEASE OR ANY LANDS POOLED THEREWITH. LESSEE'S INDEMNITY OBLIGATIONS SURVIVE THE TERMINATION OF THIS LEASE EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND/OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS LEASE SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE OR PASSIVE.

**37. LIMITATION OF GRANT:**

(a) This lease is expressly made subject to any and all easements, leases, right of ways or any other documents affecting said premises as shown by the records of the County Clerk of Tarrant, Texas;

(b) In conducting operations hereunder as a reasonable prudent operator, Lessee shall conduct sufficient title work necessary to satisfy itself as to title to all the drill site tract(s) and any and all land covered under this lease. Lessee shall promptly furnish Lessor, without warranty, a copy of all title opinions and curative data obtained by Lessee covering or affecting title to lands subject to this lease. Abstracts and other title information owned or controlled by Lessor covering such lands shall, upon request, be made available to Lessee for examination. Lessor expressly agrees to promptly execute such other documentation and to take such further action as may be reasonably requested by Lessee to cure title defects and/or to implement the intents and purposes of this lease other than documents which may be requested of the Lessee of the surface of the leased premises.

(c) There is EXCEPTED from this lease and Lessor RESERVES unto themselves, their heirs, successors and assigns all minerals in, on and under the leased premises except oil, gas, carbon dioxide and all other hydrocarbons that are necessarily produced with such oil, gas, carbon dioxide and other hydrocarbons.

(d) The Lessor reserves the right to all water, either surface or ground water at any depth upon or under the lands covered by this lease.

**38. SEVERAL LIABILITY:** As between Lessor and Lessee, the liability of the parties hereto will be several, not joint or collective. IT IS NOT THE PURPOSE OR INTENTION OF THE PARTIES HERETO TO CREATE ANY PARTNERSHIP, JOINT VENTURE, MINING PARTNERSHIP, ASSOCIATION OR ANY RELATIONSHIP AMONG THE PARTIES, WHETHER LEGAL OR QUASI-LEGAL, WHEREBY ONE PARTY IS HELD LIABLE FOR THE ACTS OR OMISSIONS OF THE OTHER PARTY, AND THIS AGREEMENT NOR THE OPERATIONS CONDUCTED HEREUNDER SHALL BE CONSTRUED OR CONSIDERED AS CREATING ANY SUCH RELATIONSHIP.

**39. SIGNING BONUS:** Lessee agreed to pay Lessor a signing bonus ("Bonus") in an undisclosed amount per net mineral acre. The Bonus shall be paid to Lessor no later than thirty (30) days after the Addendum has been signed by Lessor ("Bonus Payment Date"). If Lessee fails to pay the Bonus by the Bonus Payment Date, Lessor shall have the right to immediately terminate the lease without notice to Lessee, ab initio, as if it had never been signed.

**40. SHUT-IN ROYALTY:** After actual production and marketing of oil & gas has once been obtained from one or more wells on the lease or on lands pooled with the leased premises and same are thereafter required to be shut-in for any reason or production therefrom is not being sold for a period of sixty (60) consecutive days, Lessee shall pay or tender in advance a shut-in royalty of Five Hundred and No/Dollars (\$500.00) per net mineral acre then covered by this lease. Payment with respect to a well will be due within sixty (60) days after the date the well is shut-in. Thereafter, while such well remains shut-in, Lessee shall make like shut-in payments or tenders at sixty (60) intervals on or before the anniversary of the date the first payment is due. While shut-in royalty payments are timely and properly paid, this lease shall be considered as producing in paying quantities for all purposes of this lease. The obligation of Lessee to pay shut-in royalty is a condition and not a covenant. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled thereto on or before the due date. Lessee may exercise its right to make shut-in royalty payments as provided for herein from time to time. Notwithstanding anything herein to the contrary, this lease shall not be maintained by shut-in royalty payments for a continuous shut-in period longer than one year or for cumulative periods totaling more than two (2) years.

Notwithstanding anything to the contrary contained in this lease, should a shut-in royalty payment not be properly made in a timely manner as provided for in this lease, unless there is then in effect another applicable preservation provision of this lease, Lessor may, at Lessor's option, elect to terminate the applicable portion of this lease by sending written notice to Lessee by certified mail. Lessee shall then have thirty (30) days from the date of service of such written notice in which to avoid termination of the applicable portion of this lease by making or causing to be made the proper shut-in royalty payment. If such shut-in royalty payment is not made on or before the expiration of said thirty (30) day period, or written approval is not obtained from Lessor to defer such payment, Lessor may elect to terminate the applicable portion of this lease by filing a Notice of Termination with the County Clerk in the county where the leased premises are located. The effective date of said termination shall be the date said Notice of Termination is filed with the said County Clerk.

**41. LAWS AND REGULATIONS:** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restriction on the drilling and production of wells and the price of oil and gas.

**42. NOTICES AND ADDRESSES:** Any notice required or permitted to be given hereunder shall be deemed to have been properly given (a) three (3) days after deposited in the United States Mail, with first-class postage affixed, (b) immediately upon receipt of a facsimile, provided that a hard copy is thereafter received by regular mail, by Federal Express or by Express Mail; (c) immediately upon receipt via Federal Express or by Express Mail, or (d) immediately upon receipt of Certified or registered United States Mail, Return Receipt Requested, all of which shall be addressed to the party to whom notice is intended at the following address of each party:

If to Lessor:

Fundamentals Company, a Partnership  
C/O Kin Properties, Inc.  
185 NW Spanish River Blvd., Suite 100  
Boca Raton, Florida 33431  
Telephone: (591)-620-9200  
Facsimile: (591)-955-9921  
Attn: Allen P. Lev

If to Lessee:

Dale Property Services L.L.C.  
2100 Ross Ave., Suite 1870  
Dallas, Texas 75201  
Telephone: (214) 979-9010  
Facsimile: (214) 969-9394  
Attn: Ann F. Vandenberg

IN WITNESS WHEREOF, this instrument is executed on the date first above written in the printed form to which this Addendum is attached; which printed form, with this Addendum, constitutes the Paid Up Oil and Gas Lease granted by Lessor. This lease may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, this lease shall not be accepted by or acceptable to Lessee unless and until an original executed counterpart has been received from Lessor. For recording purposes it is agreed that the signature and acknowledgment pages of each original counterpart may be attached to a single original of this instrument. No supplement, amendment, alteration or modification of this lease shall be binding unless executed in writing by all of the parties hereto.

SIGNED FOR IDENTIFICATION:

Fundamentals Company,  
a New York General Partnership

By: Sanstate Company, Inc., Managing Partner

By: *Andrew Schreier*  
Name: Andrew Schreier  
Title: Vice President

ACKNOWLEDGMENT

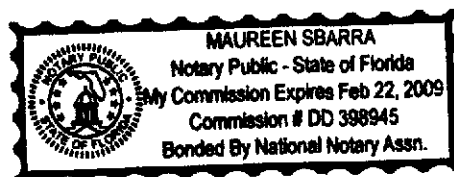
STATE OF FLORIDA §  
COUNTY OF PALM BEACH §

This instrument was acknowledged before me on the 13<sup>th</sup> day of August, 2008, by

*Maureen Sbarra*  
NOTARY PUBLIC

My Commission Expires:

\_\_\_\_\_





DALE RESOURCES LLC  
2100 ROSS AVE STE 1870 LB-9

DALLAS TX 75201

Submitter: DALE RESOURCES LLC

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SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 08/26/2008 04:10 PM  
Instrument #: D208334811  
LSE 8 PGS \$40.00

By: \_\_\_\_\_



**D208334811**

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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